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METHODOLOGICAL ISSUES

GUIDELINES UNDER ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL

Report of a workshop on issues related to Articles 5, 7 and 8 of the Kyoto Protocol

Note by the secretariat

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I. INTRODUCTION

A. Mandate

1. At its fourth session, the Conference of the Parties (COP) adopted decision 8/CP.4 on the preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP). The preparatory work includes the development of guidelines for national systems under Article 5.1[1] and methodologies for the application of adjustments under Article 5.2, guidelines for the reporting of supplementary information under Article 7, with respect to both annual inventories and national communications from Annex I Parties, and guidelines for the review of implementation by expert teams under Article 8, with a view to completion by the COP at its sixth session (FCCC/CP/1998/16/Add.1).

2. At its tenth session, the Subsidiary Body for Scientific and Technological Advice (SBSTA) requested the secretariat to organize a workshop on national systems and issues relating to adjustments, referred to in Article 5, before its twelfth session (FCCC/SBSTA/1999/6, para. 34 (d)). At its eleventh session, the SBSTA requested the secretariat to include in the agenda of this workshop the consideration of the methodological and technical aspects of guidelines under Articles 7 and 8 (FCCC/SBSTA/1999/14, para. 51 (a)).

3. The SBSTA requested the secretariat to prepare documentation for consideration at the above-mentioned workshop on the experience of Annex I Parties with existing national systems for preparing greenhouse gas inventories; on preliminary options for methodologies to apply adjustments; and on an initial draft of guidelines for national systems under Article 5.1 (FCCC/SBSTA/1999/14, para. 51 (c)).

4. The SBSTA also requested the secretariat to provide a report on the workshop, a second draft of the guidelines under Article 5.1, an initial draft on modalities for adjustments under Article 5.2 and possible elements for inclusion in the guidelines under Articles 7 and 8, taking into consideration information from the workshop, for consideration by the SBSTA at its twelfth session (FCCC/SBSTA/1999/14, para. 51 (d)).

B. Scope

5. This document is intended to respond only to the request for a report on the workshop as noted in paragraph 4 above.

6. Draft guidelines under Article 5.1 are included in document FCCC/SBSTA/2000/INF.5/Add.1, while possible elements for inclusion in the guidelines under Articles 7 and 8 and methodologies for adjustments under Article 5.2 are included in document FCCC/SBSTA/2000/INF.5/Add.2. Both documents were prepared by the secretariat taking into

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[1] All articles referred to in this note are those of the Kyoto Protocol, unless otherwise specified. For the sake of brevity, the Kyoto Protocol is not mentioned after each article.

account the information from the workshop, as mandated by the SBSTA. These documents are intended to facilitate the consideration of guidelines under Articles 5, 7 and 8, as well as methodologies for adjustments under Article 5.2, by the SBSTA at its twelfth session.

II. PROCEEDINGS

7. The UNFCCC secretariat organized a workshop on issues related to Articles 5, 7 and 8 of the Kyoto Protocol in response to the mandate referred to in paragraph 2 above. The workshop was held in Bonn from 14 to 16 March 2000.

8. Sixty-nine experts and representatives from 46 Parties, four representatives from international organizations and five representatives from non-governmental organizations attended the workshop. Sixteen experts from non-Annex I Parties were funded to attend the workshop.[2]

9. The workshop was chaired by the Chairman of the SBSTA, Mr. Harald Dovland. He opened the workshop by welcoming the participants and recalling the relevant mandates given by the SBSTA. He also presented an informal report on the outcome of the workshop on compliance that had been held in Bonn from 1 to 3 March 2000.

10. The secretariat presented six working papers to facilitate discussions at the workshop. Mr. Takahiko Hiraishi, co-chair of the Intergovernmental Panel on Climate Change (IPCC) National Greenhouse Gas Inventories Programme, and Ms. Dina Kruger, co-chair of the project on good practice guidance and uncertainty management in greenhouse gas inventories, presented information on the IPCC report on this matter. Ms. Jan Corfee Morlot, Environment Directorate, Organisation for Economic Co-operation and Development (OECD), presented information related to the work of the OECD programme on Articles 5, 7 and 8 of the Kyoto Protocol.

11. Three working groups were formed to discuss the issues as follows:

(a) Working group A: Guidelines for national systems under Article 5.1;

(b) Working group B: Issues related to adjustments under Article 5.2 and to guidelines under Article 8; and

(c) Working group C: Issues related to guidelines under Article 7.

12. The Chairman requested Ms. Helen Plume (New Zealand) and Mr. Newton Paciornik (Brazil) to serve as co-chairs of working group A; Mr. Xuedu Lu (China) and Mr. James Penman (United Kingdom of Great Britain and Northern Ireland) to serve as co-chairs of working group B; and Mr. Sok Appadu (Mauritius) and Mr. Markus Nauser (Switzerland) to serve as co-chairs of working group C.

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[2] Another five experts from non-Annex I Parties were invited on a funded basis, but for various reasons were not able to attend.

13. A meeting on the capacity-building needs of Annex I Parties with economies in transition (EIT) related to implementation of guidelines under Articles 5, 7 and 8 was also organized to enable representatives of these Parties to exchange information and to consider the need for preparatory work and actions to implement the guidelines.

14. Annex III of this document lists all the papers prepared by the secretariat for the workshop.[3] A miscellaneous document with submissions from Parties on issues related to Articles 5, 7 and 8 was also made available to the participants (FCCC/SBSTA/2000/MISC.1). These submissions were used by the secretariat as a basis for preparing the working papers.

15. The conclusions of the Chairman and the three working groups are presented below (see paragraphs 16-36 and annexes I and II). A list of questions on cross-cutting issues related to Articles 6, 12 and 17 was forwarded by participants through the secretariat to the informal consultations on mechanisms held in Kuala Lumpur, 20-25 March 2000 (see paragraphs 37-39). The conclusions of the meeting on capacity-building needs of Annex I EIT Parties related to the implementation of Articles 5, 7 and 8 are also included in this report (see paragraphs 40-41).

III. CONCLUSIONS OF THE CHAIRMAN

A. General conclusions

16. The participants in the workshop agreed upon many elements to be considered for inclusion in the guidelines under Articles 7 and 8. They agreed that the conclusions of the working groups should be used by the secretariat in preparing the documents for the twelfth session of the SBSTA under the guidance of the Chairman of the SBSTA and assisted by the co-chairs of the working groups. The secretariat was asked to ensure the consistency and coherence of these documents.

17. The participants agreed to use the UNFCCC reporting guidelines on annual inventories and national communications and guidelines for the technical review of greenhouse gas (GHG) inventories of Annex I Parties, as adopted by the COP at its fifth session (FCCC/CP/1997/7), as a basis for the development of guidelines under Articles 5, 7 and 8 of the Kyoto Protocol (FCCC/SBSTA/2000/INF.5/Add.1 and Add.2).

18. The participants agreed that the early adoption of the guidelines under Articles 5, 7 and 8 would facilitate preparations for the implementation of the Kyoto Protocol by Annex I Parties.

19. The participants agreed with a proposal by the Chairman that the secretariat be invited to post the documents referred to in paragraph 4 above on its web site by approximately 15 April 2000. The Chairman suggested that participants should inform their governments that they may wish to consider these documents prior to submitting additional views on issues related to

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[3] The papers can be found on the UNFCCC web site: http://www.unfccc.int/sessions/workshop/000314/ Parties may also obtain these papers upon request.

Articles 5, 7 and 8 due to be submitted by 15 April 2000 (FCCC/SBSTA/2000/MISC.1/Add.1). He suggested that such submissions should be provided to the secretariat by 10 May 2000. This approach could facilitate the consideration of guidelines under Articles 5, 7 and 8 and methodologies for adjustments under Article 5.2 by the SBSTA at its twelfth session, including the informal consultations of the pre-sessional week.

B. Conclusions on guidelines for national systems under Article 5.1 by working group A

20. The participants agreed that the initial draft of the guidelines for national systems under Article 5.1 contained in working paper 2 constitutes a good starting point for further consideration. They agreed upon a revised draft of guidelines for national systems, noting the need for editing, minor structural changes and a review for consistency and compatibility with other guidelines.

21. The participants agreed that early adoption of these guidelines would facilitate the introduction of national systems required under Article 5.1 in a timely manner. They also agreed that early testing of the guidelines would facilitate their refinement before the first commitment period.

C. Conclusions on issues related to adjustments under Article 5.2 and on guidelines under Article 8 by working group B[4]

22. General approach. There should be a single review process that shall encompass commitments under the Protocol and should also encompass Convention commitments not covered by Kyoto Protocol commitments. A country which is party to the Convention, but not the Protocol would still have a review under the Convention. For this reason, guidelines under the Convention should be maintained once guidelines under the Protocol have been developed.

All final reports of the expert review process are to be sent to the compliance procedure.

23. Elements to be reviewed and associated timing:

(a) Before the first commitment period

The following elements should be reviewed for the purpose of the implementation of the Protocol prior to the first commitment period:

- Base year emission inventory (as defined under Article 3.7);

- National systems as defined in guidelines under Article 5.1;

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[4] Section C of this document is the original report as produced during the workshop. No formal formatting has been performed.

- National registry systems (to be defined by the mechanisms group);[5] and

- National communication.

There was a general view that base year emission inventories should be reviewed prior to the first commitment period, after which they would be fixed for the duration of the commitment period. The point was, however, raised that there could be certain circumstances where recalculations of base year inventories may be necessary during the commitment period. It was noted that the first annual inventory (including the inventory report) to be reported under the Protocol is for the year 2008. Review of the inventory prior to the first commitment period could therefore only occur under the auspices of the Convention, although the process of technical reviews of inventories under the Convention could be used as a trial under the guidelines for review under Article 8 of the Protocol.

(b) For the years covered by the commitment period

As part of the annual review:

Annual reporting under Article 7.1, including:

- annual inventory and

- supplementary information relating to transfers and acquisitions under the mechanisms.

All data should be considered as part of the annual review, but the extent to which the data needs to be reviewed in-depth may depend on the frequency with which the data is updated or if changes occur in the underlying national system/registry.

As part of the periodic review:

- National communication;

- National systems as defined in guidelines under Article 5.1;

- National registry systems (to be defined by the mechanisms group);[6] and

- Any other supplementary information under Article 7.2.

To the extent that is necessary, the aspects of national systems under Article 5.1 or national registries could be reviewed more frequently (e.g. annually).

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[5] National systems under Article 5.1 and national registry systems should be reviewed at the same time.

[6] National registry systems could be part of guidelines under Article 5.1.

(c) After the commitment period

Issue: A comparison of assigned amounts versus cumulative emissions was regarded as a cross-cutting issue with links into the compliance process (and potentially for the mechanisms).

24. Guidance. The guidance under Article 8 should take account of national circumstances and contain guidance related to:

(a) Annual review:

(i) review of annual inventories;[7]
(ii) identification of inventory "problems"; and
(iii) review of supplementary information relating to transfers and acquisitions under the mechanisms.

The guidance to be provided to review teams on how to identify problems should take into account the outcome of current work on IPCC good practice guidance, in particular noting the analysis of key source categories, time-series analysis and outlier detection.

The trial period of inventory review under the Convention will also allow for the elaboration of problem-finding approaches.

Parties may wish to consider any expedited procedures for review linked to mechanisms eligibility.

The classification of any inventory related problems found under the annual review is an exercise which needs to take place in discussion with the compliance group. Annex II below provides a technical approach to classifying inventory problems as well as questions to be addressed by the Joint Working Group on Compliance.

(b) Periodic review of:

(i) national communications;
(ii) national systems under Article 5.1;
(iii) national registry systems; and
(iv) any other supplementary information under Article 7.2.

Such guidance may be used prior to, during or after the commitment period.

25. Process of annual review: The following elements relate to the process of problem consideration:

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[7] Parties should consider whether this should be elaborated after the trial period of the technical review process under the Convention.

(a) The review process should be completed within one year;

(b) If a problem is found, there is a fixed deadline for the Party to correct it;

(c) The annual review is in several stages, but some of these may be in parallel (e.g. initial checks and synthesis and assessment, review of annual inventories and review of supplementary information related to transfers and acquisitions under the mechanisms);

(d) Once reviewed the information would be included as part of the annual compilation and accounting conducted by the secretariat in accordance with Article 8;

(e) During the review questions will be raised;

(f) Expert review team members should have the necessary technical expertise, including knowledge of IPCC good practices;

(g) Expert review teams (and the secretariat) should follow guidance to distinguish between different types of problems;

(h) If a Party corrects the problem in accordance with IPCC Guidelines and good practice, this does not constitute an adjustment;

(i) Prior to being reviewed, a Party may request assistance from the compliance body or bodies. (This is subject to negotiations in the compliance procedures.) In this case the review process proceeds as normal, but the report of the expert review team should reflect what assistance has been provided to the Party;

(j) Where a problem is found or at any stage in the review process, Parties may be provided with access to technical advice from the review team or other Parties and/or may request technical or financial assistance as facilitation from the compliance procedure;

(k) If the review team considers that further action is required after the above steps are taken then the question should be considered as "an identified question";

(l) The annual review should be separate from the national communication review and by different review teams;

(m) The annual review process will generally be conducted on a central basis, that is, it will not involve country visits on an annual basis. Country visits could also occur if required in particular circumstances (guidance may be required on these circumstances) and with the consent of the Party concerned;

(n) Each Annex I Party would be subject to at least one in-country review during the commitment period, preferably in conjunction with the country visit under the national communication review; and

(o) Outside experts may be involved in the review process, providing inputs to the review team. Their role should be limited to assisting the review team and secretariat, in particular with those tasks that do not involve subjective judgements, and they should not have responsibility for the content of the review report. They should not be involved as part of the review of an individual country, at any stage, without the agreement of the Party concerned. Such experts should work under the guidance of the expert review team. They may be involved in the review of activity data. Outside experts should be selected according to agreed criteria.

Issue: What should be the composition of the expert review team and what should be done to ensure that they have expertise?

26. Process of adjustment calculation. The following elements were considered:

(a) The process of adjustment could begin before the first commitment period for the base year;

(b) The process of adjustment would begin after a Party has had the opportunity to correct a problem and would include the following elements;

(c) The review team draft report is sent to the Party for comment;

(d) The review team recommends if an adjustment is appropriate taking into account any guidance related to the type of problem. This recommendation is included in the report together with methodological advice on the type of problem, based on the guidance contained within the Article 8 guidelines;

(e) Two possible options were considered:

(i) Option A:

An adjustment may be initiated by a Party or result from the recommendation of a review team.

Adjustments are calculated by individual Parties.

Review teams decide whether to accept or reject adjustments.

(ii) Option B:

The review team / adjustment team (under the auspices of the review team) would:

- calculate the adjustment;
- recommend the application of the adjustment to the Party.

The Party would decide whether to accept the application of the adjustment;

(f) If the Party disagrees with the review team's recommendation, this is notified to the compliance procedure/body/bodies;

(g) The expert review team is responsible for a final assessment report including, where relevant, whether the adjustment was accepted by the Party and also reports on the choice of methodologies, rationale and the outcome of the adjustment (N.B. In subsequent reporting the Parties should report what measures it has taken to resolve the problems which led to an adjustment); and

(h) The following issue needs further discussion: If a Party applies/accepts an adjustment, but later is able to provide retroactively a revised estimate during the commitment period, the adjustment could be removed, subject to the approval of the review team and compliance procedures (There could be guidance on limitations on such recalculations or the provision of estimates for missing estimates in the inventory).

(N.B. Adjustments could either be reported to the secretariat to include in its database or they could be reported as supplementary information under Article 7.)

Issue: Can adjustment procedures begin after initial checks if this step does not involve a review team?

27. The review of national communications including the information reported under Article 7.2. The following elements were considered:

(a) The guidelines should contain sections including purposes, tasks, approaches and procedures;

(b) The guidelines should describe the tasks to be reviewed at each stage of the review process;

(c) The national communication should be reviewed separately from the annual review and by different review teams;

(d) The review process should be completed within one year; and

(e) Review should occur once for each national communication.

(N.B. In general, the group noted that the work on the guidelines should reflect the priorities of the Parties and that until many issues are resolved in relation to mechanisms and land-use, land-use change and forestry it may not be possible to develop the above aspects of these guidelines by COP 6.)

28. Methods to apply adjustment. The SBSTA at its eleventh session considered that adjustments referred to in Article 5.2 of the Kyoto Protocol should only be applied when inventory data submitted by Parties are incomplete and/or are calculated in a way that is not consistent with the IPCC 1996 Revised Guidelines as elaborated by any good practice agreed upon by the COP.

In this context:

- Adjustments are not intended as substitute for Parties' responsibility to provide national emission estimates in accordance with the relevant decision of the COP;
- Adjustments should be conservative; and
- Conservative adjustments are intended to provide an estimate of the amount of emissions from a given category, in a manner that protects all other Parties that submitted complete, verifiable inventories in line with relevant decisions made by the COP. Conservative adjustments are also intended to provide an incentive for Parties to provide annual inventories consistent with relevant decisions of the COP. Accordingly, the conservative adjustment for emissions would be downward biased when applied to the baseline year and upward biased when applied to all other years (and vice versa for sequestration).

When adjusting commitment period estimates, consideration should be given to the implications on the base year emissions and consistency of trends. This issue may require further work.

The technical experts recommended that guidance on adjusted estimates should be developed taking into account source category and gas, types of problems (e.g. missing estimate, poor emission factor), and/or data availability. As far as possible, this guidance would consist of a hierarchy of approaches so as to guide the decisions on a specific case. It would also include guidance on the required documentation of the approach taken and assumptions made by the body calculating the adjustments. Calculating adjustments requires technical expertise.

The implications of developing and implementing this guidance would be:

That further technical work would be required to develop the methods;
That the comparative accuracy of the methods for calculating adjustments should be considered; and
That linkages to the adjustment process would be considered.

The technical experts felt that the adjustments would be a last resort in the process and noted that it would not be necessary or feasible to develop detailed guidance on every possible situation.

The experts had in front of them a paper considering the following methods to apply adjustments: IPCC tier I methods, Annex B averages, extrapolation using drivers, extrapolation without using drivers, interpolation, and linkages (see also Working paper No. 4 (2000), para. 43). The experts felt that the methods provided in that paper represent a good start. The outcome of the future work may add, subtract or modify these methods. With respect to these methods, it is important to consider national circumstances.

The group felt that the work on technical guidance could start at any time. It should ideally take into account the experience gained in the trial period on review, and would likely be finalized after completion of the trial period. By COP 6, the Parties could take a decision on the aim and scope of any further methodological work. Parties should be requested to provide views on the timing of work in their next submission.

On the question how estimates could be made conservative, the group felt that the preferred option would be to generate estimates based on conservative assumptions. The details of this approach would need to be considered when developing the guidance. In general, the use if inflators or deflators is less attractive but their use may be considered in certain circumstances.

29. Article 5.2. In relation to this article, the group noted that the reference in Article 5.1 to methodologies in Article 5.2 is understood to refer to methodologies accepted by the IPCC for the estimation of GHG emissions and removals by sinks. In contrast, the second reference in Article 5.2 to methodologies is understood to refer to methodologies for adjustments and would be elaborated under Article 5.2 or be included in guidelines under Article 8.

D. Conclusions on issues related to the elements of the guidelines under Article 7 by working group C

30. The participants identified elements to be considered for inclusion in the guidelines under Article 7, as listed in annex II to this document, and the timing of submissions associated with these elements.

31. The participants agreed that the UNFCCC reporting guidelines on annual inventories and national communications, as adopted by the COP at its fifth session (FCCC/CP/1999/7), should be used as the basis for the development of guidelines under Article 7. They noted, however, that Annex I Parties do not as yet have experience with these guidelines, which will be used for the first time for the national inventory submissions due by 15 April 2000 and the third national communications due by 30 November 2001.

32. The participants agreed that reporting of information related to Article 7 should include supplementary information:

(a) To demonstrate progress by 2005, in accordance with Article 3.2;

(b) On steps taken by Annex I Parties in working through the International Civil Aviation Organization and the International Maritime Organization to limit or reduce emissions from aviation and marine bunker fuels, in accordance with Article 2.2;

(c) To determine the achievement of individual targets of Annex B Parties in accordance with Article 3.1; and

(d) On transfers of parts of the assigned amount to future commitment periods.

33. The participants also agreed on the need for supplementary information on:

(a) All sources, sinks, sectors and gases;[8]

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[8] During the final plenary of the workshop it was agreed to replace the reference to "land-use, land-use change and forestry" with "all sources, sinks, sectors and gases". The secretariat considers that supplementary information either from all sources, sinks and gases or from land-use, land-use change and forestry will not be needed, because all relevant information should be included in the annual inventory submission. The secretariat suggests using the phrase, "Information on Article 3.3, 3.4 and other relevant provisions of the Protocol" instead of either of the above-mentioned terms, considering the possibility that all relevant information on Article 3.3, 3.4 and other provisions of the Kyoto Protocol may not be covered by the annual reporting of the inventories.

(b) Transfers and acquisitions in accordance with Articles 6, 12 and 17;

(c) Adverse impacts in accordance with Articles 2.3 and 3.14 ; and

(d) National systems and the treatment of adjustments under Article 5.2.

34. The participants noted, however, that the information in relation to the elements in paragraph 33 above will be incorporated into the guidelines under Article 7 taking into consideration the outcome of relevant working groups (working group on mechanisms, working group on Article 4.8 and 4.9 of the Convention, working group on adjustments, Joint Working Group on Compliance). Furthermore, the supplementary information on land-use, land-use change and forestry will need to be incorporated after the IPCC has finalized its Special Report on Land-use, Land-use Change and Forestry and the COP has adopted decisions on this issue. Provision of this information will be contingent on future COP decisions, taking into account the methodological work of the IPCC.

35. The participants also concluded that supplementary information in relation to the definition of base years for Annex I Parties with economies in transition and the definition of base years for hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6) may not need to be included in the guidelines under Article 7, but may need to be addressed elsewhere. They also noted that there might be a need for the COP to adopt decisions on the reporting of actual emissions of HFCs, PFCs and SF_6 by all Annex I Parties.

36. The participants noted that the provisions of Article 7.3 related to the timing of the first submissions in accordance with Article 7.1 and 7.2, have potential implications for submitting supplementary information prior to the beginning of the first commitment period. They indicated that, if Annex I Parties are to provide such information prior to beginning of the first commitment period, appropriate COP decisions might need to be adopted.

E. Questions addressed to the informal consultations on mechanisms held in Kuala Lumpur, 20-25 March 2000

37. Participants in different working groups asked several questions concerning possible linkages between guidelines under Articles 5, 7 and 8 and modalities, rules and guidelines to be drawn up for mechanisms under Articles 6, 12 and 17.

38. With reference to national systems under Article 5.1, participants in the workshop suggested that the mechanisms consultations consider the following questions:

(a) Will national registries be part of the national systems under Article 5.1?

(b) If not, what would be the relationship between national registries and national systems?

39. With reference to Articles 5.2 and 8, participants in the workshop suggested that the mechanisms consultations consider the following questions:

(a) What is a definition of a national registry system for reference in the guidelines on review?

(b) Does the work of the mechanisms group suggest the need for the review prior to the first commitment period to focus on particular items, noting that the review of national communications and annual inventories using the Article 8 guidelines may only be possible on a trial basis?

(c) Should the review of transfers and acquisitions of assigned amount units (AAUs), certified emission reductions (CERs) and emission reduction units (ERUs) focus on an aggregation of eligible transfers and acquisitions?

(d) Should the secretariat be expected to maintain a database to record assigned amounts, transfers and acquisitions, and if so, should this be integrated with a database on inventories of emissions from sources and removals by sinks, based on annual submissions from Parties?

(e) Should expedited procedures for review related to mechanisms and compliance exist and, if so, should they be incorporated into the Article 8 review guidelines or under compliance procedures?

(f) Should any aspects of the mechanisms be reviewed under Article 8?

F. Conclusions of the meeting on capacity-building needs of Annex I EIT Parties related to the implementation of Articles 5, 7 and 8

40. The participants in the meeting agreed that support is urgently needed to maintain the existing capacity of Annex I EIT Parties to address climate change and to ensure the effective participation of these countries in the meetings and workshops organized by the secretariat, including the subsidiary body meetings. Participants agreed that the countries of the EIT group are at different stages of market and institutional reform and their needs for capacity-building are different. They noted that it is important that capacity-building is tailored to meet the specific needs and priorities of these countries.

41. Participants agreed that capacity-building is very important for the effective participation of the EIT countries in the Convention and the Kyoto Protocol processes. They supported the draft proposal for national inventory systems in countries with economies in transition, elaborated by the United Nations Institute for Training and Research (UNITAR).[9] Participants decided to provide feedback to UNITAR on the draft proposal by mid-April 2000, taking into consideration the specific needs likely to emerge from implementing the guidelines on Articles 5, 7 and 8 at national level. UNITAR will update the proposal accordingly.

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[9] The proposal can be found on the web site of UNITAR: www.unitar.org/cctrain/eit

Annex I

CLASSIFICATION OF ANNUAL INVENTORY PROBLEMS[1]

The following classification of different types of problems is based on a technical approach and is intended for input and discussion with the compliance group.

If the review team finds problems, these may fall under the following headings:

- *De minimis*;[2]
- Other problems.

Quantifiable problems in the "other" category may be subdivided into "first order" (more significant) and "second order" problems:

First order problems may include the following:

- Failure to submit an inventory in a given time-frame;
- Failure to include in the inventory a source which accounts for more than 10 per cent of the most recent inventory;
- Suspected fraud or clear misrepresentation in the report;
- Adjustments account for more than 5 per cent of the annual inventory;
- Recurring problems, such that the difference between the submitted inventory and the adjusted inventory exceeds 30 per cent in a given year or as a sum of differences in the commitment period;
- Any key sources are missing; and
- The activity data is not reliable in a key source category.

Issue: How does categorization of problems affect next steps within the review process?
Issue: What happens to first order problems?
Issue: What sort of problems should be subject to adjustment?
Issue: Are some problems so serious they should not be subject to adjustment even though technically feasible?

Criteria for application of adjustments could depend upon the methodology chosen for adjustments.

The guidance to be provided to review teams on how to find problems should take into account the outcome of current work on IPCC good practice guidance, in particular noting analysis of key source categories, tiers, time-series analysis and outlier detection.

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[1] This annex and annex II below are part of the original report as produced during the workshop. No formal formatting has been performed.

[2] Insofar as methodological criteria can be used to identify *de minimis* problems as required by the compliance group.

The trial period of inventory review under the Convention will allow for the elaboration of problem finding.

Procedural problems may include the following:

- Documentation not transparent;
- Insufficient archiving;
- National systems not in accordance with Article 5.1 guidelines;
- Problems with quality assurance/control;
- Failure to submit on time;
- Data not reported in the correct format;
- Inconsistency between information in the common reporting format and the national inventory report; and
- National registry systems not in accordance with guidelines.

The guidelines under Article 5.1 should inform the development of mandatory elements in reporting under Article 7.1[3] and this could be linked to determination of whether a problem is *de minimis*, first or second order.

The group noted that resolving non-quantifiable problems could help to resolve quantifiable problems.

Questions to be addressed by the Joint Working Group on Compliance:

How should any classification approach for inventory-related problems found during the annual review be developed? Should guidance under Article 8 contain any aspects of a classification for the type of problem found? It is important to have a combined discussion of these points with the compliance group.

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[3] Taking into account any good practices agreed by the COP.

Annex II

ELEMENTS TO BE CONSIDERED FOR INCLUSION IN GUIDELINES UNDER ARTICLE 7

A) Supplementary information under Article 7.1

- Information on adjustments under Article 5.2 subsequent to application of adjustments

Before the first commitment period

- Information on all sources, sinks, sectors and gases;[4, 5]
- Total annual acquisitions of CERs in accordance with Article 12;[6]
- National systems.[7]

During the first commitment period

- Information on all sources, sinks, sectors and gases;[4, 5]
- Total annual transfers and acquisitions of ERUs, AAUs and CERs in accordance with Articles 6,12 and 17;[6]
- National systems.[7]

After the first commitment period[8]

- Information on all sources, sinks, sectors and gases;[4, 5]
- Total annual transfers and acquisitions of ERUs, AAUs and CERs in accordance with Articles 6, 12 and 17;[6]
- National systems.[7]

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[4] The supplementary information on land-use, land-use change and forestry will need to be incorporated after the IPCC has finalized its Special Report and the COP has adopted relevant decisions on this issue. Provision of this information will be contingent on future COP decisions, taking into account methodological work of the IPCC.

[5] See footnote 8 on page 13.

[6] The information to be reported in relation to the Kyoto Protocol mechanisms would be incorporated following the outcome of the working group on mechanisms and once the COP has adopted decisions on Articles 6, 12 and 17, including national registries.

[7] It may be necessary to report on some elements of national systems on an annual basis as part of the inventory reporting. This applies to any reference to national systems in this annex.

[8] Information related to the work of the Joint Working Group on Compliance may need to be incorporated as soon as the COP has taken appropriate decisions.

B) Supplementary information under Article 7.2

Before the first commitment period

- Information on demonstrable progress (Article 3.2), in addition to that required under the UNFCCC reporting guidelines, could include:
  - Implementation of national systems;
  - Preparation for the implementation of national registries and use of the Kyoto Protocol mechanisms; and
  - Fixing the base year.
- Information on the implementation of joint fulfilment of commitments (Article 4);[9]
- Total acquisitions of CERs in accordance with Article 12[6] for the period up to the year of submission;
- National systems;
- Adverse impacts (Articles 2.3 and 3.14);[10]
- Article 2.1 and 2.2.[11]

During the first commitment period

- Information on the implementation of joint fulfilment of commitments (Article 4);[9]
- Total transfers and acquisitions of ERUs, AAUs and CERs in accordance with Articles 6, 12 and 17 for the period up to the year of submission;
- National systems;
- Adverse impacts (Articles 2.3 and 3.14);[10]
- Article 2.1 and 2.2.[11]

After the first commitment period

- Information on the implementation of joint fulfilment of commitments (Article 4);[9]
- Total transfers and acquisitions of ERUs, AAUs and CERs in accordance with Articles 6, 12 and 17 for the period up to the year of submission;
- National systems;
- Adverse impacts (Articles 2.3 and 3.14);[10]
- Article 2.1 and 2.2.[11]

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[9] The need for further information related to the implementation of joint fulfilment of commitments, in the interest of transparency, has to be assessed.

[10] Any information to be reported in relation to Articles 2.3 and 3.14 would be incorporated following the outcome of workshops and ongoing discussions and/or relevant decisions of the Convention bodies.

[11] What supplementary information, if any, to be reported will need to be assessed, noting, *inter alia*, that Parties do not yet have experience with the present UNFCCC reporting guidelines.

Supplementary information under Article 7.1 and/or 7.2

After the first commitment period

- Achievement of individual targets of Annex B Parties as follows:[12]

  1. Aggregate GHG emissions in base year(s), including emissions from land-use change in 1990 if land-use change and forestry constituted a net source of greenhouse gas emissions in 1990 (Article 3.7);
  2. +/- emissions/ removals from afforestation, reforestation and deforestation (ARD (Article 3.3);
  3. +/- emissions/ removals from additional human-induced activities in the agricultural soils and the land-use change and forestry categories if a future COP/MOP decides to include such activities in the accounting of assigned amounts and if a Party chooses to apply such a decision for its first commitment period, consistent with the final sentence of Article 3.4;
  4. +/- total emission reduction units acquired from or transferred to another Party until the last year of the commitment period (Article 6);
  5. +/- any parts of assigned amount acquired from or transferred to another Party until the last year of the commitment period (Article 17);
  6. + total certified emission reductions acquired until the last year of the commitment period (Article 12);
  7. Quantified emission limitation and reduction commitment as a percentage of base year emission;
  8. Information on adjustments applied, if any.

- Transfer of parts of the assigned amount to future commitment periods.

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[12] Some additional information related to the implementation of Articles 6, 12 and 17 may need to be incorporated subject to further COP decisions.

Annex III

LIST OF DOCUMENTATION PREPARED BY THE SECRETARIAT FOR THE WORKSHOP

Working paper No.1[13]	Experience with existing national systems for preparing GHG national inventories
Working paper No.2	Draft guidelines for national systems under Article 5.1 of the Kyoto Protocol
Working paper No.3	Preliminary options for methodologies to apply adjustments under Article 5.2 of the Kyoto Protocol.
Working paper No.4	Methodological issues related to guidelines under Article 8 and adjustments under Article 5.2 of the Kyoto Protocol: summary of issues
Working paper No.5	Methodological issues related to guidelines under Article 7 of the Kyoto Protocol: summary of issues
Working paper No.6	Effects of recalculations of GHG inventories on assigned amounts and on emission limitation and reduction commitments of Annex I Parties
The following papers on "Preliminary options for methodologies to apply adjustments under Article 5.2 of the Kyoto Protocol" were prepared by consultants commissioned by the secretariat:	
Working paper No. 3 (a)	Fuel combustion activities: Sectoral breakdown of emissions based on international energy data
Working paper No. 3 (b)	Fuel combustion activities: Breakdown of aggregated fuel data, estimating CO_2 emissions from per capita emissions, CH_4 and N_2O emissions from fuel combustion
Working paper No. 3 (c)	Fuel combustion activities: Interpolation, extrapolation and approximation using drivers
Working paper No. 3 (d)	Fugitive emissions from fuels
Working paper No. 3 (e)[14]	Industrial processes
Working paper No. 3 (f)	Agriculture
Working paper No. 3 (g)	Waste

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[13] This paper was only presented orally at the workshop. The final version of this paper was published as document FCCC/SBSTA/2000/INF.3.

[14] This paper was not presented at the workshop. It is now available on the UNFCCC web site (www.unfccc.int/sessions/workshop/000314/).